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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JANUARY 8, 2002

APPLICATION OF

VIRGINIA ELECTRIC AND POWER  
COMPANY

CASE NO. PUE000584

For approval of a Functional  
Separation Plan under the  
Virginia Electric Utility  
Restructuring Act

ORDER GRANTING RELIEF

On December 28, 2001, Virginia Electric and Power Company ("Virginia Power" or "the Company"), filed with the Clerk of the State Corporation Commission ("Commission") a letter notifying the Commission that it proposed to use the transmission rates currently effective under its Open Access Transmission Tariff ("OATT") on file with the Federal Energy Regulatory Commission ("FERC"), including the current ancillary service rates, in the development of its unbundled rates.

The Commission issued its Order on Functional Separation in this case on December 18, 2001 (the "Order"). The Order approved the Company's unbundled rates to be used going forward as retail choice begins in the Commonwealth. The Order approved "rates that recover the revenue requirements contained in Staff witness Glenn A. Watkins' Exhibit GAW-5 and designed in compliance with the rate designs agreed upon between the Staff

and Company as noted by both in the hearing." Further, the Order found that "[t]he rates shall also embody the agreement expressed in Exh. VP-92 as to the appropriate treatment of the difference between Virginia jurisdictional transmission rates and those contained in the FERC Open Access Transmission Tariff."

In the Order, the Commission approved Exh. VP-92, which provided for a mechanism for adjusting the difference between the transmission rate approved by the FERC and the Virginia jurisdictional transmission rate. Exhibit VP-92 described that "[t]he Company shall unbundle distribution, transmission, and generation using its proposed FERC OATT, including ancillary services." (Emphasis supplied.)

The Company had requested approval of its proposed FERC OATT in FERC Docket ER01-2993-000. The FERC, however, issued an Order on December 19, 2001, terminating Docket ER01-2993-000, and effectively rejecting the Company's proposed FERC OATT. Thus, Virginia Power no longer has the "proposed FERC OATT" to apply in this case for unbundling its rates.

The Company proposes instead to use its current FERC OATT in place of the proposed FERC OATT, which is no longer under consideration at the FERC. The Company solicited the views of the other parties to the proceeding by letter and has advised the Commission that, while not all parties have responded, none

that did respond objected to the use of the current FERC OATT. Further, the Commission Staff has advised the Commission it has no objection to the use of the transmission rates currently on file at FERC for setting the Company's unbundled rates.

NOW, IN CONSIDERATION of the foregoing, the Commission is of the opinion and finds that the proposed modification is reasonable and should be granted.

Accordingly, IT IS ORDERED THAT:

(1) The Company is directed to use in establishing its unbundled rates the transmission rates currently effective under its OATT on file with the FERC, including the current ancillary service rates.

(2) The Commission's December 18, 2001, Order on Functional Separation in this matter is modified as described herein and no part thereof is further suspended.

(3) This matter is dismissed.